

Message Text

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ACTION NEA-10

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SUBJ: DEPRIMIN ON EGYPT'S FOREIGN DEBT

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1. AS NOTED REFTEL, DEPRIMIN KAISOUNI MADE DETAILED STATEMENT ON STATE OF ECONOMY BEFORE PEOPLES ASSEMBLY ON MAY 28, 1977. STATEMENT WAS REPORT ON HIS FIRST SIX MONTHS IN OFFICE, AS WELL AS ON CONSULTATIVE GROUP MEETING IN PARIS MAY 11 - 12. WE HAVE NOW OBTAINED FULL ARABIC TEXT OF SPEECH AND HAVE TRANSLATED PORTION ON FOREIGN DEBT, WHICH IS SUMMARIZED BELOW.

2. KAISOUNI SAID EGYPT'S FOREIGN DEBT AT END OF 1976 TOTALLED 12 BILLION DOLLARS (APPROXIMATELY LE 4,800 MILLION AT OFFICIAL EXCHANGE RATE). SHORT-TERM (180 - 360 DAY) DEBTS "WHICH ARE USED TO PAY FOR IMPORTS" TOTAL 2,000 MILLION DOLLARS. SHORT-TERM OFFICIAL DEPOSITS, MOSTLY FROM KUWAIT AND SAUDI ARABIA, TOTAL 2,000 MILLION DOLLARS. MEDIUM-TERM DEBTS OWED PRIMARILY TO INTERNATIONAL ORGANIZATIONS AND U.S.A., AS WELL AS TO OTHER

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GOVERNMENTS, TOTAL 4,000 MILLION DOLLARS. FINAL CATEGORY OF FOREIGN DEBT, ACCORDING TO KAISOUNI, IS OBLIGATIONS OWED TO "EASTERN" COUNTRIES. ACCORDING TO STATEMENT, THIS AMOUNTS TO 4,000 MILLION DOLLARS AND IS COMPOSED MAINLY OF MILITARY DEBT TO SOVIET UNION. KAISOUNI STRESSED THAT OTHER "CIVILIAN" DEBTS IN THIS FOURTH CATEGORY HAD EITHER BEEN PAID OR "ARRANGED" AS THE RESULT OF FAVORABLE BALANCE OF TRADE WITH COUNTRIES

INVOLVED.

3. KAISOUNI'S STATEMENT PLACED GREAT EMPHASIS ON A) FACT THAT HE HAS SUCCEEDED IN SETTLING FIRST CATEGORY OF DEBTS BY GAINING ALMOST 2 BILLION DOLLARS FROM GODE, ENABLING ECONOMY TO TRANSFER THESE SHORT-TERM DEBTS INTO MEDIUM-TERM OBLIGATIONS AND B) FACT THE KUWAITIS AND SAUDIS HAD AGREED TO POSTPONE WITHDRAWAL OF THEIR OFFICIAL DEPOSITS. AS RESULT OF THESE ACTIONS, KAISOUNI DECLARED, ECONOMY HAD GAINED STABILITY AND FOR FIRST TIME COULD BEGIN TO LOOK AHEAD. HE STRESSED NEED FOR CONTINUING AID, AND SAID THAT THIS BREATHING SPELL WOULD MAKE POSSIBLE THE IMPLEMENTATION OF NECESSARY ECONOMIC REFORM MEASURES.

4. KAISOUNI THEN DESCRIBED HIS LONG-RANGE SOLUTIONS. ECONOMY MUST INCREASE EXPORTS (BOTH VISIBLE AND INVISIBLE) THOUGH ADDITIONAL INVESTMENT IN PRODUCTIVE FACILITIES. LOANS MUST BE OBTAINED IN "WISE" MANNER IN FUTURE TO BE USED IN PROJECTS WHICH INCREASE PRODUCTIVE CAPACITY BOTH IN IMPORT SUBSTITUTION AND IN EXPORT GENERATION. KAISOUNI DESCRIBED AS "BAD DEBTS" THOSE LOANS WHICH ARE USED TO IMPORT MACHINERY/EQUIPMENT WHICH DOES NOT INCREASE PRODUCTIVE CAPACITY; THESE LOANS MUST BE REPAYED WITHOUT GETTING BENEFIT OF ADDITIONAL INCOME.

5. COMMENT. MAJOR QUESTION RAISED BY KAISOUNI'S REPORT IS SETTLEMENT OF CIVILIAN DEBT WITH EASTERN EUROPEAN COUNTRIES (INCLUDING USSR). WE NOTE LIMITED OFFICIAL USE

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THIS CONFIRMS INFORMATIONN PROVIDED LATEST ECONOMIC ALERT LIST FOR EGYPT. IF POSSIBLE WE WOULD APPRECIATE A LOOK AT FIGURES INVOLVED IN REACHING THIS DETERMINATION. EILTS

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